

This Listing Statement is compiled by the Exchange from documents filed by the Company in making application for listing. It is issued for the information of members, member firms and member corporations of the Exchange. It is not and is not to be construed as a prospectus. The Exchange has received no consideration in connection with the issue of this Listing Statement other than the customary listing fee. The documents referred to above are open for inspection at the general office of the Exchange.

LISTING STATEMENT No. 2227

LISTED FEBRUARY 21st, 1966
5,000,000 common shares of 45¢ par value
Ticker abbreviation "CGX"
Dial ticker number 1459
Post section 8.2

THE TORONTO STOCK EXCHANGE

LISTING STATEMENT

CANADIAN GRIDOIL LIMITED

Incorporated under the laws of Alberta on February 18, 1966 resulting from a statutory amalgamation of Canadian Williston Minerals Ltd. and Gridoil Freehold Leases Ltd.

1. Address of the Company's Head Office and of any other offices: Room 100, 330 Ninth Avenue South West, Calgary, Alberta.

2. Officers of the Company:

OFFICE HELD	NAME	ADDRESS	OCCUPATION
President	S. C. Nickle, Sr.	3015 Glencoe Rd., Calgary	Executive
Vice-President	Sam C. Nickle	1208 Belavista Crescent, Calgary	Executive
Secretary	W. L. James	1423 - 70th Ave. S.W., Calgary	Barrister
Treasurer	A. R. Morison	12 Medford Place, Calgary	Chartered Accountant

3. Directors of the Company:

NAME	ADDRESS	OCCUPATION
Eric Connelly	1135 Beverley Blvd., Calgary	Executive
W. L. James	1423 - 70th Ave. S.W., Calgary	Barrister
A. R. Morison	12 Medford Place, Calgary	Chartered Accountant
C. O. Nickle	1132 Prospect Avenue, Calgary	Publisher
S. C. Nickle, Sr.	3015 Glencoe Road, Calgary	Executive
Sam C. Nickle	1208 Belavista Crescent, Calgary	Executive

4. Names and addresses of all transfer agents:

Guaranty Trust Company of Canada, 311 - 8th Avenue S.W., Calgary, Alberta, and 366 Bay Street, Toronto, Ontario.
Empire Trust Company, 20 Broad Street, New York 5, N.Y., U.S.A.

5. Particulars of any fee charged upon transfer other than customary government taxes:

Fifty cents (50¢) for each new certificate issued.

6. Names and addresses of all registrars:

Guaranty Trust Company of Canada, 311 - 8th Avenue S.W., Calgary, Alberta, and 366 Bay Street, Toronto, Ontario.
Empire Trust Company, 20 Broad Street, New York 5, N.Y., U.S.A.

7. Amount of authorized capital: \$2,250,000.

8. Number of shares and par value: 5,000,000 shares, par value 45¢.

9. Full details of all shares issued in payment for properties or for any other assets other than cash:

DATE	NUMBER OF SHARES	BRIEF DESCRIPTION OF THE PROPERTIES OR OTHER ASSETS AND THE AGGREGATE CONSIDERATION THEREFOR, EXPRESSED IN CASH, SHARES, ETC.
As of February 18, 1966	2,471,350	All of the assets of Canadian Williston Minerals Ltd. and Gridoil Freehold Leases Ltd. as of the date of amalgamation February 18, 1966.
Total	2,471,350	

10. Full details of all shares sold for cash.	None
11. Total number of shares issued:	2,471,350
12. Number of shares now in treasury or otherwise unissued.	2,528,650
13. Particulars of any issued shares held in trust for the Company or donated for treasury purposes.	None
14. Date of last annual meeting.	Date of amalgamation February 18, 1966.
15. Date of last report to shareholders.	See Item 14.
16. Details of any treasury shares (or shares issued subject to payment or shares held for the benefit of the treasury) now under option or the subject of any underwriting or sales agreement. If none, this to be stated.	None
17. Names and addresses of persons having any interest, direct or indirect, in underwritten or optioned shares or other securities or assignments, present or proposed.	None
18. Details of any payments in cash or securities of the Company made or to be made to a promoter or finder in connection with a proposed underwriting or property acquisition.	None
19. Details of any shares pooled, deposited in escrow, non-transferable or held under any voting trust agreement, syndicate agreement or control.	None
20. Names and addresses of owners of more than a 5% interest in pooled or escrowed shares and their shareholdings. (If shares are registered in the names of nominees or in street names, give names of beneficial owners, if possible.)	None

21. Names, addresses and shareholdings of five largest registered shareholders and if shareholdings are pooled or escrowed, so stating. If shares are registered in names of nominees or in street names, give names of beneficial owners, if possible, and if names are not those of beneficial owners, so state.	Scenic Oils Ltd., 330-9th Ave. S.W., Calgary, Alta. 1,248,759 Bansco & Co., 44 King St. W., Toronto, Ontario 48,676 The Northeastern Corporation Limited, P.O. Box 636, Halifax, Nova Scotia 40,000 Doherty, Roadhouse & Co., 335 Bay St., Toronto, Ontario 37,587 Merrill, Lynch, Pierce, Fenner & Smith Inc., 44 King St. West, Toronto 1, Ontario 34,934																																																			
22. Names and addresses of persons whose shareholdings are large enough to materially affect control of the Company.	Scenic Oils Ltd., 330-9th Avenue S.W., Calgary, Alberta.																																																			
23. Details of any registration with or approval or authority for sale granted by or any filing with a Securities Commission or corresponding Government body.	Application for registration of shares of the Company filed with the Securities & Exchange Commission, Washington, U.S.A. on February 18, 1966. Listing Application No. 5344 with American Stock Exchange approved on February 17, 1966.																																																			
24. Has any application for registration with or approval or authority for sale by or any filing with a Securities Commission or corresponding Government body ever been refused, cancelled, suspended or revoked? If so, give particulars.	None																																																			
25. Particulars of any bonds, debentures, notes, mortgages, charges, liens or hypothecations outstanding.	5½ % Convertible Sinking Fund Notes, Series "A", due July 1, 1976. Principal outstanding \$1,570,000. Sinking Fund requirements have been satisfied until 1969 in which year \$185,000 will be due and \$187,500 annually thereafter.																																																			
26. If assets include investments in the shares or other securities of other companies, give an itemized statement thereof showing cost or book value and present market value.	<table><thead><tr><th></th><th>Cost</th><th>Market (Feb. 18, 1966)</th></tr></thead><tbody><tr><td>Producers Pipelines Ltd.</td><td></td><td></td></tr><tr><td>1,000 common shares</td><td>\$ 10,000</td><td>\$ 19,010</td></tr><tr><td>12,562 preference shares</td><td>69,416</td><td>238,803</td></tr><tr><td>Berkley Oils Ltd.</td><td></td><td></td></tr><tr><td>20,000 common shares</td><td>5,000</td><td>8,200</td></tr><tr><td>Scenic Oils Ltd.</td><td></td><td></td></tr><tr><td>150,000 common shares</td><td>337,500</td><td>324,000</td></tr></tbody></table>		Cost	Market (Feb. 18, 1966)	Producers Pipelines Ltd.			1,000 common shares	\$ 10,000	\$ 19,010	12,562 preference shares	69,416	238,803	Berkley Oils Ltd.			20,000 common shares	5,000	8,200	Scenic Oils Ltd.			150,000 common shares	337,500	324,000																											
	Cost	Market (Feb. 18, 1966)																																																		
Producers Pipelines Ltd.																																																				
1,000 common shares	\$ 10,000	\$ 19,010																																																		
12,562 preference shares	69,416	238,803																																																		
Berkley Oils Ltd.																																																				
20,000 common shares	5,000	8,200																																																		
Scenic Oils Ltd.																																																				
150,000 common shares	337,500	324,000																																																		
27. Enumerate fully each of the following property classifications, giving claim or property numbers, approximate acreage, townships and mining camp or oil field:	<p style="text-align: center;">LAND HOLDINGS — December 31, 1965</p> <table><thead><tr><th></th><th>Gross</th><th>Net</th></tr></thead><tbody><tr><td colspan="3"><u>Petroleum & Natural Gas Leases</u></td></tr><tr><td>Alberta</td><td>239,918</td><td>128,546</td></tr><tr><td>Saskatchewan</td><td>188,642</td><td>181,983</td></tr><tr><td>Manitoba</td><td>6,225</td><td>6,225</td></tr><tr><td></td><td><u>434,785</u></td><td><u>316,754</u></td></tr><tr><td colspan="3"><u>Petroleum & Natural Gas Reservations & Permits</u></td></tr><tr><td>Alberta</td><td>103,287</td><td>86,647</td></tr><tr><td>Saskatchewan</td><td>99,200</td><td>99,200</td></tr><tr><td>Northwest Territories</td><td></td><td></td></tr><tr><td>Arctic Islands</td><td>7,017,242</td><td>1,238,987</td></tr><tr><td></td><td><u>7,219,729</u></td><td><u>1,424,834</u></td></tr><tr><td colspan="3"><u>50% Interest in Minerals</u></td></tr><tr><td>Saskatchewan</td><td>661,528</td><td>661,528</td></tr><tr><td>Manitoba</td><td>753,000</td><td>753,000</td></tr><tr><td></td><td><u>1,414,528</u></td><td><u>1,414,528</u></td></tr><tr><td>Total Acreage</td><td><u>9,069,042</u></td><td><u>3,156,116</u></td></tr></tbody></table>		Gross	Net	<u>Petroleum & Natural Gas Leases</u>			Alberta	239,918	128,546	Saskatchewan	188,642	181,983	Manitoba	6,225	6,225		<u>434,785</u>	<u>316,754</u>	<u>Petroleum & Natural Gas Reservations & Permits</u>			Alberta	103,287	86,647	Saskatchewan	99,200	99,200	Northwest Territories			Arctic Islands	7,017,242	1,238,987		<u>7,219,729</u>	<u>1,424,834</u>	<u>50% Interest in Minerals</u>			Saskatchewan	661,528	661,528	Manitoba	753,000	753,000		<u>1,414,528</u>	<u>1,414,528</u>	Total Acreage	<u>9,069,042</u>	<u>3,156,116</u>
	Gross	Net																																																		
<u>Petroleum & Natural Gas Leases</u>																																																				
Alberta	239,918	128,546																																																		
Saskatchewan	188,642	181,983																																																		
Manitoba	6,225	6,225																																																		
	<u>434,785</u>	<u>316,754</u>																																																		
<u>Petroleum & Natural Gas Reservations & Permits</u>																																																				
Alberta	103,287	86,647																																																		
Saskatchewan	99,200	99,200																																																		
Northwest Territories																																																				
Arctic Islands	7,017,242	1,238,987																																																		
	<u>7,219,729</u>	<u>1,424,834</u>																																																		
<u>50% Interest in Minerals</u>																																																				
Saskatchewan	661,528	661,528																																																		
Manitoba	753,000	753,000																																																		
	<u>1,414,528</u>	<u>1,414,528</u>																																																		
Total Acreage	<u>9,069,042</u>	<u>3,156,116</u>																																																		
(a) Properties owned where titles vested in Company.																																																				
(b) Properties leased.																																																				
(c) Properties otherwise held. Give particulars of title held by the Company in each instance (e.g. patented, unpatented, Crown granted, held under mining license, perpetual lease, etc.)																																																				

28. Full particulars of any royalties or other charges payable upon production from each individual property.	The royalty payable on production from Freehold Leases is 12½ %. The royalty payable on production from Crown Leases ranges from 5% to 16⅔ %.
29. Names and addresses of vendors of any property or other assets intended to be purchased by the Company showing the consideration to be paid.	None
30. Names and addresses of persons who have received or will receive a greater than 5% interest in the shares or other consideration to be received by the vendor. If the vendor is a limited company, the names and addresses of persons having a greater than 5% interest in the vendor company.	None
31. Are any lawsuits pending or in process against the Company or any of its properties, or are there any other circumstances which might affect the Company's position or title adversely? If so explain fully.	None
32. Describe plant and equipment on property or properties.	Plant and Equipment consists of various items of equipment installed on its productive oil and gas leases.
33. Describe all development accomplished and planned.	See Pages 10 and 12 of Proxy Statement attached.
34. Date and author of mining or petroleum engineer's or geologist's report filed with this application and available for inspection on request.	See Pages 9 and 11 of Proxy Statement attached.
35. Full particulars of production to date.	See Pages 9 and 11 of Proxy Statement attached.
36. Have any dividends been paid? If so, give date, per share rate, and amount paid in dollars on each distribution.	No
37. Name and address of the solicitor or attorney whose certificate that the applicant is a valid and subsisting company and that the shares which have been allotted and issued were legally created and are fully paid and non-assessable has been filed with the Exchange.	G. L. Crawford, Q.C. Southridge Mall, 5913 Macleod Trail, Calgary, Alberta.
38. (a) Have any shares of the Company ever been listed on any other stock exchange? If so, give particulars. (b) Is any application for listing the shares of the Company on any other stock exchange now pending or contemplated? If so give particulars.	(a) No. Date of amalgamation February 18, 1966. (b) Shares listed on American Stock Exchange and Calgary Stock Exchange on February 21, 1966.

GRIDOIL FREEHOLD LEASES LTD.

330 NINTH AVENUE SOUTH WEST

CALGARY, ALBERTA

October 15, 1965

To the Shareholders of

GRIDOIL FREEHOLD LEASES LTD.

Attached to this letter is a formal Notice of Special General Meeting of Shareholders to be held at the offices of the Company on November 9, 1965. Accompanying the Notice is a Proxy Statement concerning the matters to come before the meeting and setting forth information relating thereto.

The meeting has been called for the purpose of considering and, if thought desirable, of approving and adopting an Agreement of Amalgamation, annexed as an exhibit to the Proxy Statement, pursuant to which this Company and Canadian Williston Minerals Ltd. ("Williston") would be amalgamated and combined into a new company to be named Canadian Gridoil Ltd.

A Proxy and a self-addressed envelope are enclosed for your use in the event you are unable to attend the Meeting.

By Order of the Board of Directors

S. C. NICKLE,

President.

the Shareholders of Canadian Williston Minerals Ltd., must be passed by $\frac{3}{4}$ ths of the votes cast at a Special General Meeting of the Shareholders of this Company and a Special General Meeting of the Shareholders of Canadian Williston Minerals Ltd. called for the purpose of considering the said Amalgamation Agreement; and

(ii) After the Amalgamation Agreement has been approved and adopted by the Shareholders of this Company and by the Shareholders of Canadian Williston Minerals Ltd., the said Agreement must receive the approval in writing of the Registrar of Joint Stock Companies of the Province of Alberta, Canada, and also the approval of the Supreme Court of Alberta, Canada; and

(iii) The Registrar of Joint Stock Companies of the Province of Alberta, Canada, must issue a Certificate of Amalgamation under his seal of office certifying that this Company and Canadian Williston Minerals Ltd. have amalgamated.

This Notice and the materials referred to herein are being mailed to each shareholder registered on the Company's share register on the date hereof. However, only shareholders so registered on the date of the meeting will be entitled to vote thereat.

Shareholders who are unable to attend the Meeting are requested to sign, date and return the enclosed Proxy to the office of the Company, 330 Ninth Avenue South West, in the City of Calgary, in the Province of Alberta, Canada, to reach the said office not later than the time appointed for the Meeting.

Dated this 15th day of October 1965.

By Order of The Board of Directors,

W. L. JAMES,

Secretary.

PROXY STATEMENT

GRIDOIL FREEHOLD LEASES LTD.

AND

CANADIAN WILLISTON MINERALS LTD.

This Proxy Statement is furnished in connection with a solicitation of proxies by the management of Gridoil Freehold Leases Ltd. (herein called "Gridoil") and of Canadian Williston Minerals Ltd. (herein called "Williston") to be used at general meetings of the stockholders of Gridoil and of Williston to be held at 11:00 A.M. and 10:30 A.M., Mountain Standard Time, respectively, on Tuesday, November 9th, 1965 at their principal offices, 330 Ninth Avenue South West, Calgary, Province of Alberta, Canada, at which an amalgamation of Gridoil and Williston will be considered.

Stockholders who execute Proxies retain the right to revoke them at any time prior to the exercise thereof.

At the date of this Proxy Statement Gridoil had outstanding 11,196,668 shares of common stock and Williston had outstanding 3,965,000 shares of common stock. Mr. S. C. Nickle and his immediate family own 1,765,582 shares (75.4%) of Scenic Oils Ltd. ("Scenic"). Scenic owns 6,243,795 (55.7%) of the shares of Gridoil and Mr. S. C. Nickle and his immediate family own 806,336 (7.2%) of the shares of Gridoil. Gridoil owns 2,514,893 (63.4%) of the shares of Williston and Mr. S. C. Nickle and his immediate family own 1,120 of the shares of Williston. Scenic, Gridoil and Mr. S. C. Nickle and his immediate family intend to vote the shares of Gridoil and Williston owned by them, as aforesaid, in favor of the amalgamation.

Each stockholder registered as such on the books of Gridoil and Williston on the date of the meeting will be entitled to one vote for each such share held. All properly executed Proxies of stockholders so registered received at or prior to the meetings will be voted, and, if a choice be specified with respect to the matters to be acted upon, will be voted in accordance with the instructions contained therein.

Unless otherwise specified, all dollar amounts herein are in Canadian dollars. The exchange rate in effect in New York City on October 5, 1965 for the Canadian dollar was \$.93 (U. S.).

ACTION TO BE TAKEN

The shareholders of Gridoil and Williston will be asked to approve and adopt an Agreement of Amalgamation dated October 8, 1965 amalgamating Gridoil and Williston into one company to be named Canadian Gridoil Ltd. ("Canadian Gridoil"). A copy of such Agreement is attached to this

Proxy Statement as Exhibit I. If the amalgamation is consummated, the independent operations of Gridoil and Williston will cease, and Canadian Gridoil Ltd. will take over their assets, assume their liabilities, and continue the business formerly conducted by them. Williston shareholders will receive 1 share of common stock of Canadian Gridoil Ltd. for each 6.25 shares of common stock of Williston, and the Gridoil shareholders will receive one share of common stock of Canadian Gridoil Ltd. for each 5 shares of common stock of Gridoil now held by them (exclusive of 2,514,893 shares of Williston presently held by Gridoil and already taken into account in fixing the conversion ratio, which shares will be cancelled and extinguished). The above ratio was arrived at by taking into consideration independent evaluations of the respective companies prepared by McDaniel Consultants (1965) Ltd., the relative market values of the shares of both companies and other pertinent factors.

In order for the amalgamation of Gridoil and Williston to become effective, the following are required, namely:

(a) the approval of the Agreement of Amalgamation by three-fourths of the votes cast at the general meetings of the shareholders of Gridoil and Williston called for the purpose of considering the Agreement of Amalgamation;

(b) the approval in writing of the Agreement of Amalgamation by the Registrar of Joint Stock Companies of Alberta;

(c) the approval of the Agreement of Amalgamation by the Supreme Court of Alberta; and

(d) the issuance of a Certificate of Amalgamation by the Registrar of Joint Stock Companies of Alberta.

Issuance of New Shares

Certificates for whole shares of Canadian Gridoil will be issued against surrender of the old Gridoil and Williston shares. Scrip Certificates will be issued in lieu of fractional shares. The new certificates will be available for delivery promptly after the effective date of the amalgamation, and at that time all shareholders will be advised of the procedure for surrender of old shares.

COMPARATIVE DATA

The following table shows the net proven oil reserves expressed as barrels per share, separately for each company and on a pro forma combined basis. The reserves of Gridoil are principally attributable to working interests, and substantially all of Williston's reserves are attributable to royalty interests.

	<u>Gridoil</u>	<u>Williston</u>	<u>Pro forma Combined</u>
Based on shares outstanding at June 30, 1965 .....	.79 bbls.	.22 bbls.	—
Based on shares of Canadian Gridoil to be issued	—	—	3.97 bbls.

The shares of both companies are listed on the Toronto Stock Exchange and the Williston shares are also listed on the American Stock Exchange. The following table shows for each period indicated the actual high and low sale prices, and also such prices pro forma equated on the basis of the exchange ratio.

		Actual Sale Prices						Sale Prices pro forma on basis of Exchange ratio					
		Toronto Stock Exchange (Canadian dollars)				American Stock Exchange (U. S. dollars)		Toronto Stock Exchange (Canadian dollars)				American Stock Exchange (U. S. dollars)	
		Gridoil		Williston		Williston		Gridoil		Williston		Williston	
		High	Low	High	Low	High	Low	High	Low	High	Low	High	Low
1963	1st Quarter . . .	\$.56	\$.32	\$.32	\$.30	\$.44	\$.25	\$2.80	\$1.60	\$2.00	\$1.88	\$2.75	\$1.56
	2nd Quarter . . .	.39	.30	.40	.26	.38	.25	1.95	1.50	2.50	1.62	2.38	1.56
	3rd Quarter . . .	.36	.30	.37	.30	.44	.31	1.80	1.50	2.31	1.88	2.75	1.94
	4th Quarter . . .	.56	.30	.38	.25	.44	.19	2.80	1.50	2.38	1.66	2.75	1.20
1964	1st Quarter . . .	.42	.35	.32	.31	.56	.25	2.10	1.75	2.00	1.94	3.50	1.56
	2nd Quarter . . .	.42	.35	.60	.40	.62	.38	2.10	1.75	3.75	2.50	3.88	2.38
	3rd Quarter . . .	.64	.37	.40	.30	.50	.38	3.20	1.85	2.50	1.88	3.12	2.38
	4th Quarter . . .	1.07	.61	.90	.60	.88	.38	5.35	3.05	5.62	3.75	5.50	2.38
1965	1st Quarter . . .	1.04	.85	.60	.52	.75	.44	5.20	4.25	3.75	3.25	4.69	2.75
	2nd Quarter . . .	1.13	.78	1.50	.55	1.94	.56	5.65	3.90	9.38	3.44	12.12	3.50
	3rd Quarter . . .	.96	.81	1.00	.60	.94	.62	4.80	4.05	6.25	3.75	5.88	3.88

On October 5, 1965 the closing price for the Gridoil shares was \$.95 per share on the Toronto Stock Exchange and for the Williston shares was \$.63 (U. S.) per share on the American Stock Exchange; these prices pro forma equated on the basis of the exchange ratio are \$4.75 per share for Gridoil and \$3.94 (U. S.) per share for Williston.

Gridoil and Williston have not paid any dividend since inception.

For financial information with respect to Williston and Gridoil reference is made to Index to Financial Statements on page 16 hereof.

DETAILS CONCERNING THE PROPOSED AMALGAMATION

Agreement of Amalgamation

The statements contained in this Proxy Statement with respect to the terms of the amalgamation are qualified by and made subject to the more complete information set forth in Exhibit "1" hereto. The Agreement of Amalgamation provides in substance that upon the amalgamation becoming effective:

(a) the authorized capital of Canadian Gridoil Ltd. will consist of \$2,250,000 divided into 5,000,000 shares having a par value of 45¢ each;

(b) the issued and outstanding shares of Gridoil and Williston will be converted into shares of Canadian Gridoil Ltd. on the following bases:

(i) Williston shareholders (other than Gridoil which presently owns 2,514,893 shares of Williston) will receive 1 share of the common stock of Canadian Gridoil Ltd. for each 6.25 shares of the common stock of Williston.

(ii) Gridoil shareholders will receive 1 share of the common stock of Canadian Gridoil Ltd. for each 5 shares of the common stock of Gridoil presently held;

(iii) scrip certificates will be issued in lieu of fractional shares.

(c) The issued and outstanding capital of Canadian Gridoil Ltd. will consist of 2,471,350 shares of common stock having a par value of 45¢ each;

(d) Share certificates for common stock in Canadian Gridoil Ltd. and/or scrip certificates will be issued to the Williston and Gridoil shareholders of record as of the effective date of amalgamation; and

(e) Gridoil will, as a condition of the said amalgamation, surrender to Canadian Gridoil Ltd. for cancellation 2,514,893 shares of the capital stock of Williston which were owned by Gridoil immediately prior to the said amalgamation and the said shares shall thereupon be cancelled and shall cease to exist.

Gridoil and Williston may, by resolution of their respective directors, assent to any variation, alteration or modification of the provisions of the Agreement of Amalgamation that may be required for the purpose of complying with the provisions contained in Section 140a of The Companies Act of Alberta or that may be required by the Registrar of Joint Stock Companies and/or the Supreme Court of Alberta and reference herein to the Amalgamation Agreement shall be construed to mean and shall refer to the Amalgamation Agreement as so varied, altered or modified.

In the event that the conditions of amalgamation as set out in Clause 3 of the Amalgamation Agreement have not been fulfilled by February 28, 1966 the said Amalgamation Agreement and all resolutions passed and things done to bring the same into effect shall be null and void unless the time for fulfillment is extended by mutual agreement between the respective directors of Gridoil and Williston.

Rights of Dissenting Shareholders

Unless the Supreme Court of Alberta otherwise directs, Section 140a of The Companies Act of the Province of Alberta (R.S.A. 1955, Ch. 53 and amendments thereto) requires both Gridoil and Williston to notify in such manner as the Court may direct each of their shareholders who dissents from approving and adopting the Agreement of Amalgamation, of the time and place when Gridoil and Williston intend to apply to the said Supreme Court of Alberta for an order approving the amalgamation. Upon the application, the Court shall hear and determine the matter and may approve the Agreement of Amalgamation as presented or may approve it subject to compliance with such terms and conditions as it thinks fit, having regard to the rights and interests of all parties including the dissenting shareholders and creditors. Under Alberta law dissenting shareholders will have no appraisal rights, unless the Court so directs. A negative vote alone is sufficient to establish a shareholder's dissent.

CAPITALIZATION

The following table sets forth the capitalization of Gridoil and Williston at June 30, 1965 and the pro forma capitalization of Canadian Gridoil upon consummation of the amalgamation:

	<u>Gridoil</u>	<u>Williston</u>	<u>Pro Forma</u>
Long-term debt:			
5¾% bank loan due 1966-1972	\$2,074,277	\$213,889	\$2,288,166
5½% convertible sinking fund redeemable notes due July 1, 1976(1)	1,590,000	—	1,590,000
	<u>\$3,664,277</u>	<u>\$213,889</u>	<u>\$3,878,166</u>
Share Capital:			
Williston — \$.06 par value —			
Authorized 6,000,000 shares			
Outstanding	—	3,965,000 shs.	—
Gridoil — \$.09 par value —			
Authorized 20,000,000 shs.(2)			
Outstanding	11,196,668 shs.(4)	—	—
To be authorized — 5,000,000 shs.(3)			
To be outstanding			2,471,350 shs.(4)

(1) For information regarding sinking fund obligations, see Note 6 to the financial statements of Gridoil.

(2) Includes 78,240 shares reserved for conversion of convertible sinking fund notes.

(3) Includes 15,648 shares reserved for conversion of convertible sinking fund notes.

(4) See Note 2 of Notes to Pro Forma Balance Sheet. At June 30, 1965, Gridoil held 2,514,893 shares of Williston capital stock which will be cancelled on amalgamation.

(5) For information concerning obligations under leases on real property, see Note 7 to financial statements of Gridoil.

RESULTS OF OPERATIONS

Gridoil:

The following statement of profit and loss and retained earnings of Gridoil for the periods from January 1, 1962 to June 30, 1965 has been examined by Price Waterhouse & Co., independent public accountants, whose opinion appears elsewhere in this Proxy Statement. As explained in Note 5 to the financial statements the method of accounting for oil and gas properties was changed as of January 1, 1964 which had the effect of increasing the reported net profit for the year ended December 31, 1964 by approximately \$200,000. In the opinion of management, all adjustments have been made, consisting only of normal recurring adjustments, necessary for a fair statement of profit and loss and retained earnings of Gridoil for the six months ended June 30, 1964. The statement should be read in conjunction with the other financial statements of the company and notes thereto included elsewhere herein.

	January 1, 1962 to February 18, 1963 (Note 1)	February 19, 1963 to December 31, 1963	Year ended December 31, 1964	Six months ended June 30 1964 (Unaudited)	1965
Revenue:					
Crude oil sales, less royalties	\$ 1,346,300	\$1,212,866	\$1,931,953	\$ 949,894	\$1,060,997
Royalty income	50,154	34,907	50,941	24,481	24,457
Other income	103,899	109,035	186,356	63,700	101,570
	<u>1,500,353</u>	<u>1,356,808</u>	<u>2,169,250</u>	<u>1,038,075</u>	<u>1,187,024</u>
Expenses:					
Production expenses	234,927	183,875	272,942	144,805	180,133
Provision for depletion and depreciation (Note 5)	588,332	306,645	680,600	331,257	392,987
Administrative and general expenses	294,154	212,818	324,353	160,885	179,285
Interest on long term debt	131,805	122,476	174,410	89,232	118,115
Amortization of note discount and issue ex- pense	12,331	7,213	8,529	4,265	4,265
Rentals on undeveloped oil and gas proper- ties (Note 5)	43,737	67,617	—	—	—
Unproductive well costs (Note 5)	314,404	349,529	—	—	—
	<u>1,619,690</u>	<u>1,250,173</u>	<u>1,460,834</u>	<u>730,444</u>	<u>874,785</u>
Net profit (loss) for the period	(119,337)	106,635	708,416	307,631	312,239
Special item —					
Profit arising on cancellation of 5½ % Notes (Note 1)	51,774	—	—	—	—
Net profit (loss) and special item	(67,563)	106,635	708,416	307,631	312,239
Retained earnings (deficit) at beginning of period	(1,965,063)	(2,032,626)	106,635	106,635	815,051
Amount charged to capital in excess of par value in connection with quasi-reorganiza- tion as of February 18, 1963 (Note 3)	—	2,032,626	—	—	—
Retained earnings (deficit) at end of period (Note 3)	<u>\$(2,032,626)</u>	<u>\$ 106,635</u>	<u>\$ 815,051</u>	<u>\$ 414,266</u>	<u>\$1,127,290</u>
Earnings (loss) per share:					
Based on 11,196,668 shares of Gridoil out- standing at June 30, 1965	(\$.011)	\$.009	\$.063	\$.028	\$.028

Numerical reference notes are to notes to financial statements.

STATEMENT OF NET DEFERRED EXPENSES

Canadian Williston Minerals Ltd.

The following statement of deferred expenses (excluding depletion and depreciation), after deducting income, to June 30, 1965 has been examined by Price Waterhouse & Co., independent public accountants, whose opinion appears elsewhere in this Proxy Statement. The statement should be read in conjunction with the other financial statements of the company and notes thereto included elsewhere herein.

	From inception in 1951 to December 31, 1961	Year ended December 31			Six months ended June 30, 1965	From inception to June 30, 1965
		1962	1963	1964		
Income:						
Royalty income	\$ 358,857	\$105,363	\$144,729	\$210,389	\$110,008	\$ 929,346
Royalty income applicable to prior years	—	—	22,764	85,466	—	108,230
Production income	—	—	—	3,244	6,808	10,052
Interest earned	28,667	3,628	2,481	4,768	3,295	42,839
Sale of mineral interests	63,200	41,098	47,943	—	—	152,241
Other income	—	—	4,674	2,719	561	7,954
	<u>450,724</u>	<u>150,089</u>	<u>222,591</u>	<u>306,586</u>	<u>120,672</u>	<u>1,250,662</u>
Expenses:						
Administrative and general expenses	698,599	59,388	54,903	54,031	27,358	894,279
Interest expense	119,497	29,247	24,346	19,358	8,290	200,738
Legal and audit fees	97,533	12,987	7,072	22,974	4,751	145,317
Mineral taxes and lease rentals	96,328	2,534	6,558	12,321	9,562	127,303
Transfer agent expenses	63,653	5,330	6,435	7,634	3,332	86,384
Production expenses	—	—	—	805	2,790	3,595
Unproductive well costs	—	—	—	10,193	—	10,193
Organization and finance expenses	14,497	—	—	—	—	14,497
	<u>1,090,107</u>	<u>109,486</u>	<u>99,314</u>	<u>127,316</u>	<u>56,083</u>	<u>1,482,306</u>
Net deferred expense for the period	639,383	(40,603)	(123,277)	(179,270)	(64,589)	231,644
Net deferred expense at beginning of period	—	639,383	598,780	475,503	296,233	—
Net deferred expense at end of period	<u>\$ 639,383</u>	<u>\$598,780</u>	<u>\$475,503</u>	<u>\$296,233</u>	<u>\$231,644</u>	<u>\$ 231,644</u>

**GRIDOIL FREEHOLD LEASES LTD.
AND
CANADIAN WILLISTON MINERALS LTD.**

**PRO FORMA CONDENSED STATEMENT OF INCOME
For the 12 Months Ended June 30, 1965 (Unaudited)**

	<u>Williston</u>	<u>Gridoil</u>	<u>Pro forma adjustment dr. (cr.)</u>	<u>Combined</u>
Crude oil sales, less royalties	\$ 10,052	\$2,043,056	—	\$2,053,108
Royalty income	215,202	50,917	—	266,119
Other income	7,436	224,226	—	231,662
	<u>232,690</u>	<u>2,318,199</u>	<u>—</u>	<u>2,550,889</u>
Interest expense	17,927	203,293	—	221,220
Other cost and expenses, excluding depletion and depreciation	97,326	659,552	\$(15,759) (a)	741,119
	<u>115,253</u>	<u>862,845</u>	<u>(15,759)</u>	<u>962,339</u>
	<u>\$117,437</u>	<u>1,455,354</u>	<u>15,759</u>	<u>1,588,550</u>
	(Note 1)			
Depletion and depreciation		742,330	155,840 (b)	898,170
Net income for the period		<u>\$ 713,024</u>	<u>\$140,081</u>	<u>\$ 690,380</u>
Earnings per share:				
Based on 11,196,668 shares of Gridoil outstanding at June 30, 1965		\$.064		
Based on 2,239,334 shares of Canadian Gridoil to be issued in exchange for Gridoil shares		\$.320		
Based on 2,471,350 shares of Canadian Gridoil to be issued in exchange for Gridoil and Williston shares				\$.279

Notes:

1. This statement has been prepared on the basis of combining the results of operations of Gridoil and the net deferred expenses of Williston for the twelve months ended June 30, 1965 after giving effect to conforming Williston's accounting to that of Gridoil as of July 1, 1964. As explained in Note 1 to the financial statements of Williston, only a small portion of the properties of Williston has been developed and all expenses, less income, have been deferred from inception to June 30, 1965.
2. The pro forma adjustments reflect the following:
 - (a) Reclassification of lease and mineral taxes paid during 12 months ended June 30, 1965 to mineral interests.
 - (b) Depletion and depreciation in respect of Williston's mineral interests, oil and gas properties and related equipment.

**GRIDOIL FREEHOLD LEASES LTD.
AND
CANADIAN WILLISTON MINERALS LTD.**

PRO FORMA CONDENSED BALANCE SHEET

At June 30, 1965 (Unaudited)

ASSETS

	Gridoil	Williston	Pro forma adjustments dr. (cr.)	Pro forma balance sheet
Current assets	\$ 1,527,845	\$ 247,477	\$ (2,351)(a)	\$ 1,772,971
Investment in shares	1,605,520	—	(1,268,000)(b)	337,520
Capital assets:				
Mineral interests	—	1,933,000	305,792 (d) (107,104)(b)	2,131,688
Oil and gas properties	9,531,763	21,814	—	9,553,577
Production equipment	2,203,058	12,475	—	2,215,533
Other equipment	106,887	—	—	106,887
Accumulated depletion and depreciation	(4,231,143)	—	(57,320)(c)	(4,288,463)
Other assets	919,284	—	—	919,284
Deferred expenses	—	231,644	(305,792)(d) 74,148 (c)	—
	<u>\$11,663,214</u>	<u>\$2,446,410</u>	<u>\$(1,360,627)</u>	<u>\$12,748,997</u>

LIABILITIES

Current liabilities	\$ 1,151,722	\$ 64,521	\$ 2,351 (a)	\$ 1,213,892
Long-term debt	3,664,277	213,889	—	3,878,166
Shareholders' Equity:				
Capital stock	1,007,700	237,900	150,894 (b) (17,401)(e)	1,112,107
Capital in excess of par value	4,712,225	1,930,100	1,224,210 (b) 17,401 (e)	5,400,714
Retained earnings since February 18, 1963 (Note 3)	<u>1,127,290</u> <u>6,847,215</u>	<u>—</u> <u>2,168,000</u>	<u>(16,828)(c)</u> <u>1,358,276</u>	<u>1,144,118</u> <u>7,656,939</u>
	<u>\$11,663,214</u>	<u>\$2,446,410</u>	<u>\$ 1,360,627</u>	<u>\$12,748,997</u>

NOTES:

1. This statement represents the combined balance sheets of Gridoil (after eliminating Gridoil's investment in Williston shares) and Williston on a "pooling of interests" accounting basis and should be read in conjunction with the balance sheets of Gridoil and Williston, together with the related notes thereto, appearing elsewhere herein.

2. The pro forma adjustments applied to the above historical balance sheets reflect the following:

- (a) Elimination of intercompany accounts.
- (b) Elimination of cost investment in Williston shares. The excess (\$107,104) of the book value of Williston's net assets over the cost of investment has been applied as a reduction of the book value of mineral interests.
- (c) Adjustment to conform the accounting policies of Williston as of January 1, 1965 to those of Gridoil resulting in a credit of \$16,828 to retained earnings.
- (d) Reclassification of balance of deferred expenses at December 31, 1964 and lease rentals and mineral taxes paid in 1965 to capital assets.
- (e) Adjustment to reflect the issue of 2,471,350 shares of a par value of .45¢ each of Canadian Gridoil Ltd. to the shareholders of Gridoil and Williston (excluding the 2,514,893 shares of Williston owned by Gridoil).

3. On April 30, 1963 the shareholders approved the elimination of the deficit (\$2,032,626) as of February 18, 1963 by a charge to capital in excess of par value.

BUSINESS AND PROPERTIES OF GRIDOIL

Gridoil is a public company under the laws of the Province of Alberta, Canada resulting from an amalgamation on February 18, 1963 of Gridoil Freehold Leases Ltd. and Norcan Oils Ltd. Gridoil is engaged in the development and production of and exploration for oil and natural gas in Western Canada. The predecessor companies, Gridoil and Norcan, were engaged in the same business from September 1950 and March 1962, respectively, until February 18, 1963. Reference herein to the operations of Gridoil includes those of such predecessor companies.

Producing Properties

The working interests in producing oil properties of Gridoil as at June 30, 1965 are shown in the following table:

	Acres		No. of Gross Wells	No. of Net Wells
	Gross	Net		
Alberta	98,363	4,906	886	30.02
Saskatchewan	84,648	6,372	1,066	60.84
Total	<u>183,011</u>	<u>11,278</u>	<u>1,952</u>	<u>90.86</u>

Reserves

The following table sets forth the net proven developed reserves of crude oil of Gridoil as at June 30, 1965, after deducting all royalties and interests owned by others, as estimated by McDaniel Consultants (1965) Ltd., a firm of independent petroleum consultants:

	Net Barrels
Alberta	2,500,270
Saskatchewan	6,430,030
Total	<u>8,930,300</u>

The foregoing estimates show only those reserves which will be produced from existing wells with present operating methods. They do not include reserves which may be found by future discoveries or by extension of proven areas or reserves based on water or gas injection unless those processes were actually in operation and had sufficient production history. Approximately all the reserves of Gridoil are attributable to working interests in properties.

Production

The following table sets forth the net crude oil production in barrels, after all royalties and interests owned by others for the five years and six months ended June 30, 1965:

	1960	1961	1962	1963	1964	1965 (6 Mos.)
Alberta	37,249	57,835	124,932	152,553	189,821	107,484
Saskatchewan	346,027	344,307	430,098	521,308	664,747	363,728
Total Net Barrels	<u>383,276</u>	<u>402,142</u>	<u>555,030</u>	<u>673,861</u>	<u>854,568</u>	<u>471,212</u>

Markets

The maximum amounts of allowable production of crude oil from wells in Saskatchewan and Alberta are governed by statute and are altered from time to time by provincial authorities on the basis of sound engineering and conservation principles and on the basis of market demand. Gridoil sells its crude oil directly at the wells at posted prices in effect in the particular field. The average price received by Gridoil for its crude oil sold during the six months ended June 30, 1965 was \$2.33 per barrel.

Undeveloped Properties

The undeveloped properties of Gridoil consist of oil and gas reservations, permits, and leases. It is estimated that approximately \$233,000 in rentals and renewal payments will be required annually to retain the present leases and reservations held by Gridoil.

	Acres	
	Gross	Net
Reservations and permits —		
Alberta	105,999	85,599
Saskatchewan	99,200	99,200
North West Territories	7,017,242	615,575
	<u>7,222,441</u>	<u>800,374</u>
Petroleum and natural gas leases —		
Alberta	226,290	107,888
Saskatchewan	168,660	167,460
Manitoba	5,300	5,300
	<u>400,250</u>	<u>280,648</u>
Total	<u>7,622,691</u>	<u>1,081,022</u>

Drilling Activity

During the five years and six months ended June 30, 1965, as shown in the following table, Gridoil participated or had an interest in the drilling of 206 wells, of which 124 were oil wells and 82 were abandoned:

	Capable of Production		Dry or Abandoned		Net Wells Capable of Production
	Exploratory	Development	Exploratory	Development	
1960	1	6	1	—	1.3
1961	3	17	7	—	4.3
1962	4	13	11	2	10.8
1963	3	16	14	1	9.8
1964	9	29	24	4	20.9
1965 (6 months)	2	21	13	5	12.5
Total	<u>22</u>	<u>102</u>	<u>70</u>	<u>12</u>	<u>59.6</u>

BUSINESS AND PROPERTIES OF WILLISTON

Williston was incorporated as a public company under the laws of the Province of Alberta, Canada, on August 3, 1951. The company is the owner of an undivided one-half interest in all mines and minerals except coal, underlying 1,365,000 acres checkerboarded throughout that portion of the Williston Basin which is contained within the Province of Saskatchewan and Manitoba.

Producing Properties

The interests in producing oil properties of Williston as at June 30, 1965 are shown in the following table:

	<u>Acres Gross</u>	<u>No. of Gross Wells</u>	<u>No. of Net Wells</u>
Royalty Interests			
Saskatchewan	9,040	102	7.0284
Manitoba	80	3	.2790
Total	<u>9,120</u>	<u>105</u>	<u>7.3074</u>
 Working Interest			
Saskatchewan	<u>240</u>	<u>2</u>	<u>.80</u>

Reserves

The following table sets forth the net proven developed reserves of crude oil of Williston as at June 30, 1965, after deducting all royalties and interests owned by others, as estimated by McDaniel Consultants (1965) Ltd., a firm of independent petroleum consultants:

	<u>Net Barrels</u>
Saskatchewan	889,830
Manitoba	11,160
Total	<u>900,990</u>

The foregoing estimates show only those reserves which will be produced from existing wells with present operating methods. They do not include reserves which may be found by future discoveries or by extension of proven areas or reserves based on water or gas injection unless those processes were actually in operation and had sufficient production history. Approximately all the reserves of Williston are attributable to royalty interests.

Production

The following table sets forth the net crude oil production in barrels, after all royalties and interests owned by others for the five years and six months ended June 30, 1965:

<u>Saskatchewan and Manitoba</u>	<u>1960</u>	<u>1961</u>	<u>1962</u>	<u>1963</u>	<u>1964</u>	<u>(6 Mos.) 1965</u>
Royalty barrels	23,999	36,015	42,145	57,891	84,155	42,570
Working interest barrels	—	—	—	—	1,622	3,404
Total net barrels	<u>23,999</u>	<u>36,015</u>	<u>42,145</u>	<u>57,891</u>	<u>85,777</u>	<u>45,974</u>

The increase in royalty barrels during 1964 arose primarily from increased drilling activity by others on the company's properties during late 1963 and during 1964, together with better than average completion experience.

Markets

For information concerning markets reference is made to "Markets" under heading "Business and Properties of Gridoil" shown elsewhere in this Proxy Statement.

The average price received by Williston for its crude oil sold during the six months ended June 30, 1965 was \$2.40 per barrel.

Undeveloped Properties

The principal undeveloped properties consist of an undivided one-half interest in mines and minerals, gross overriding royalty on certain leases and petroleum and natural gas leases. It is estimated that approximately \$13,000 in mineral taxes and rentals will be required annually to retain the present mineral interests and leases.

The following table sets forth the undeveloped acreage as at June 30, 1965:

		Acres	
		Gross	Net
50% Mineral Interest			
Saskatchewan		612,000	612,000
Manitoba		753,000	753,000
		<u>1,365,000</u>	<u>1,365,000</u>
Petroleum and Natural Gas Leases			
Saskatchewan		14,143	12,802
Manitoba		160	160
		<u>14,303</u>	<u>12,962</u>
Total		<u>1,379,303</u>	<u>1,377,962</u>

Drilling Activity

During the five years and six months ended June 30, 1965, as shown in the following table, Williston participated or had an interest in the drilling of 68 wells, of which 41 were oil wells and 27 were abandoned:

	Capable of Production		Dry or Abandoned		Net Wells Capable of Production
	Exploratory	Development	Exploratory	Development	
1960	1	3	1	—	.350
1961	—	8	6	—	.700
1962	—	5	6	—	.543
1963	—	12	7	—	1.075
1964	—	11	4	—	1.687
1965 (6 mos.) ...	—	1	3	—	.087
	<u>1</u>	<u>40</u>	<u>27</u>	<u>—</u>	<u>4.442</u>
	<u>=</u>	<u>=</u>	<u>=</u>	<u>=</u>	<u>=</u>

MANAGEMENT AND CONTROL

Williston and Gridoil have the same Board of Directors and officers and it is proposed that the present management will continue after the amalgamation. The proposed directors of the amalgamated company are:

<u>Name</u>	<u>Positions Held</u>	<u>Principal Occupation or Employment</u>
S. C. Nickle, Sr.	President and Director	President of Gridoil, Scenic Oils Ltd. and Canadian Williston Minerals Ltd., all of Calgary, Alberta, for more than the past 5 years.
Sam C. Nickle	Vice President and Director	Vice President of Gridoil, Scenic Oils Ltd. and Canadian Williston Minerals Ltd., all of Calgary, Alberta, for more than the past 5 years.
Carl O. Nickle	Director	President and Director of C. O. Nickle Publications Limited, Calgary, Alberta, for more than the past 5 years.
Eric Connelly	Director	President and Director of Pembina Pipe Line Ltd., Calgary, Alberta, for more than the past 5 years.
Arthur R. Morison	Treasurer and Director	Treasurer of Gridoil, Scenic Oils Ltd. and Canadian Williston Minerals Ltd., all of Calgary, Alberta, for more than the past 5 years.
William L. James	Secretary and Director	Secretary of Gridoil, Scenic Oils Ltd. and Canadian Williston Minerals Ltd., all of Calgary, Alberta, for more than the past 5 years.

Mr. S. C. Nickle, Sr. is the President and a Director of both companies. As of September 1, 1965 he owned 1,695,052 shares or 72% of Scenic Oils Ltd. which company owned 6,243,795 shares or 55.7% of Gridoil which owned 2,514,893 shares or 63.4% of Williston. As of such date Mr. Nickle owned beneficially 698,271 shares of Gridoil. No other persons are known to be holders of 10% or more of the outstanding capital stock of Scenic Oils Ltd., Gridoil or Williston. After the amalgamation Scenic Oils Ltd. will hold 1,248,759 shares or 50.5% of Canadian Gridoil Ltd.

As of September 1, 1965 Sam C. Nickle owned beneficially 28,065 shares of Gridoil stock, 23,230 shares of Scenic Oils Ltd., and 1,120 shares of Williston.

As of September 1, 1965 Carl O. Nickle owned beneficially 47,300 shares of Scenic Oils Ltd. and 80,000 shares of Gridoil.

As of September 1, 1965 Eric Connelly owned beneficially 20,000 shares of Scenic Oils Ltd.

As of September 1, 1965 Arthur R. Morison owned beneficially 2,000 shares of Scenic Oils Ltd. and 7,741 shares of Gridoil.

As of September 1, 1965 William L. James owned beneficially 3,000 shares of Scenic Oils Ltd. and 520 shares of Gridoil.

Expiration of term of office — The directors of the amalgamated company will hold office until the first annual meeting of shareholders, or until their respective successors are elected or appointed.

Remuneration — It is not anticipated that any officer or director will receive remuneration from the amalgamated company or its subsidiaries during its first fiscal year in excess of \$25,000. It is anticipated that the direct remuneration of all officers and directors of the amalgamated company, as a group, will be approximately \$80,000 during such fiscal year.

DESCRIPTION OF CAPITAL STOCK

Registered holders of the capital stock of Gridoil and Williston are entitled to receive dividends as the Board of Directors may from time to time lawfully declare, and in the event of liquidation, dissolution, or winding up of the company are entitled to share ratably in all assets of the respective companies available for distribution to stockholders. Registered stockholders are entitled to one vote for each share held, and they have no preemptive or conversion rights and there are no redemption or sinking fund provisions therefor. The capital stock is not liable to assessment. The rights attaching to the shares of Canadian Gridoil Ltd. will be the same as those attaching to the present Gridoil and Williston shares.

STATUS OF STOCK EXCHANGE LISTING

Application will be made to list the outstanding shares of Canadian Gridoil Ltd. on the American and Toronto Stock Exchanges.

The shares of Williston are presently listed on the Toronto and American Stock Exchanges and the shares of Gridoil on the Toronto Stock Exchange.

TAXES

Canadian Income Taxes

In the opinion of Arnold & Crawford, of Calgary, Alberta, general counsel for the companies, the proposed amalgamation will not result in any taxable income for either Gridoil or Williston or their respective shareholders under Canadian federal income tax law.

United States Income Taxes

An application has been made to the United States Internal Revenue Service for a ruling to the effect (a) that the proposed amalgamation is not in pursuance of a plan having as one of its principal purposes the avoidance of Federal income taxes under Section 367 of the Internal Revenue Code; (b) that it will constitute a reorganization under Section 368 of such Code; and (c) that no gain or loss will be recognized upon the exchange of Gridoil or Williston shares for shares of Canadian Gridoil. Dunnington, Bartholow & Miller, of New York, New York, special counsel for the companies, have advised us that, in their opinion:

(i) if an unfavorable ruling is obtained under Section 367, then the amalgamation will constitute a taxable transaction under such Code to the extent of the gain, if any, realized by the shareholders of Gridoil or Williston;

(ii) if a favorable ruling is obtained under Section 367 prior to the effectuation of the amalgamation and an unfavorable ruling is obtained under Section 368 with respect to either

Gridoil or Williston, then the transaction will be treated by the Internal Revenue Service as taxable with respect to shareholders of such company and any gain or loss will be recognized;

(iii) if a favorable ruling is obtained under Section 368 with respect to either Gridoil or Williston, then no loss will be recognized upon the exchange as to the shareholders of such company, irrespective of the Section 367 ruling; and

(iv) gain or loss, if any, will be measured by the difference between the value of Canadian Gridoil's shares received by a Gridoil or Williston shareholder and the basis of his present shares.

The obtaining of a favorable ruling is not a condition to the effectiveness of the amalgamation. Shareholders will be notified of the action taken on the ruling application.

United States Interest Equalization Tax

In the opinion of Dunnington, Bartholow & Miller, the United States Interest Equalization Tax will not be applicable to the acquisition of shares of Canadian Gridoil in exchange for shares of Gridoil or Williston provided:

(a) The United States shareholder files a Notice of Acquisition (U. S. Treasury Department Form 3779) as provided in Section 4917 of the Internal Revenue Code, or

(b) A favorable ruling is obtained under Section 368 that the proposed amalgamation constitutes a reorganization with respect to the company whose stock is exchanged.

OTHER MATTERS

The Management of Gridoil and Williston do not intend to present any other matter for action at the respective general meetings and have not been informed that other persons intend to present any matters for action at the meetings. However, if any other matters should properly come before the meetings, it is intended that votes will be cast pursuant to the proxies hereby solicited in respect of such other business in accordance with the best judgment of the persons named in the enclosed form of proxy.

EXPENSES OF SOLICITATION

All expenses in connection with the solicitation of proxies will be paid by the amalgamated company if the amalgamation is effected. Otherwise, each company will pay the expenses of solicitation of proxies from its own shareholders.

This Proxy Statement is being sent to the shareholders of both Gridoil and Williston, by order of their respective Boards of Directors.

October 15, 1965

INDEX TO FINANCIAL STATEMENTS

(Stated in Canadian dollars)

	Page
Gridoil Freehold Leases Ltd.	
Opinion of independent public accountants	17
Balance sheet, June 30, 1965	18
Statement of profit and loss and retained earnings for the periods January 1, 1962 to February 18, 1963, February 19, 1963 to December 31, 1963, year ended December 31, 1964 and six months ended June 30, 1964 (un-audited) and 1965	5
Notes to financial statements	19
Canadian Williston Minerals Ltd.	
Opinion of independent public accountants	21
Balance sheet, June 30, 1965	22
Statement of net deferred expenses to June 30, 1965	6
Notes to financial statements	22
Pro Forma: (unaudited)	
Condensed balance sheet, June 30, 1965	8
Condensed statement of income for the 12 months ended June 30, 1965	7

OPINION OF INDEPENDENT PUBLIC ACCOUNTANTS

To the Directors,
Gridoil Freehold Leases Ltd.

We have examined the balance sheet of Gridoil Freehold Leases Ltd. at June 30, 1965 and the statement of profit and loss and retained earnings for the periods January 1, 1962 to February 18, 1963, February 19, 1963 to December 31, 1963, the year ended December 31, 1964 and the six months ended June 30, 1965. Our examination was made in accordance with generally accepted auditing standards and accordingly included such tests of the accounting records and such other audit procedures as we considered necessary in the circumstances.

In our opinion, such statements present fairly the financial position of Gridoil Freehold Leases Ltd. at June 30, 1965 and the results of its operations for the periods January 1, 1962 to February 18, 1963, February 19, 1963 to December 31, 1963, the year ended December 31, 1964 and the six months ended June 30, 1965, in conformity with generally accepted accounting principles applied on a consistent basis except for the change (which we approve) in the method of accounting for oil and gas properties as explained in Note 5 to the financial statements.

PRICE WATERHOUSE & Co.

Calgary, Alberta
September 30, 1965

GRIDOIL FREEHOLD LEASES LTD.

BALANCE SHEET

At June 30, 1965

ASSETS

CURRENT ASSETS:

Cash	\$ 234,983	
Short-term investments, at cost which approximates market	815,440	
Accounts receivable	392,210	
Due from Canadian Williston Minerals Ltd.	2,351	
Due from parent, Scenic Oils Ltd.	7,257	
Inventories —		
Crude oil, at market	24,310	
Oil well materials, at cost	23,885	
Prepaid expenses	27,409	\$ 1,527,845

INVESTMENT IN SHARES:

Canadian Williston Minerals Ltd. (63% owned) (Note 2)	1,268,000	
150,000 shares of Scenic Oils Ltd., parent, at cost less dividends received	337,500	
Shares of wholly-owned subsidiaries, at nominal value	20	1,605,520

CAPITAL ASSETS, at cost:

Oil and gas properties (Note 5)	9,531,763	
Production equipment (Note 5)	2,203,058	
Other equipment	106,887	
	11,841,708	
Less — Accumulated depletion and depreciation (Note 5)	4,231,143	7,610,565

OTHER ASSETS, at cost:

4% Mortgage receivable due 1973	675,000	
Sundry shares and royalties	96,315	
Refundable deposits	122,006	
Unamortized note discount and issue expense (Note 6)	25,963	919,284
		<u>\$11,663,214</u>

LIABILITIES

CURRENT LIABILITIES:

Accounts payable	\$ 706,946	
Accrued liabilities	73,264	
Current portion of bank loan	371,512	\$ 1,151,722

LONG-TERM DEBT:

5¾% Bank loan, secured by the assignment of specific producing properties, payable in equal monthly instalments of approximately \$31,000, less current portion	2,074,277	
5½% Convertible sinking fund redeemable notes, Series A, due July 1, 1976 (Note 6)	1,590,000	3,664,277

SHAREHOLDERS' EQUITY:

Share capital —		
Authorized —		
20,000,000 shares of a par value of nine cents each, of which 78,240 shares are reserved for conversion of notes		
Issued —		
11,196,668 shares	1,007,700	
Capital in excess of par value (Note 4)	4,712,225	
Retained earnings since February 18, 1963 (Note 3)	1,127,290	6,847,215
		<u>\$11,663,214</u>

GRIDOIL FREEHOLD LEASES LTD.

NOTES TO FINANCIAL STATEMENTS

1. On February 18, 1963 Gridoil Freehold Leases Ltd. and Norcan Oils Ltd. were amalgamated into one company which retained the name Gridoil Freehold Leases Ltd. As a result of the amalgamation 10,271,232 shares of Gridoil were issued to Norcan and 1,309,435 shares of Gridoil and \$710,000 principal amount of 5½% Gridoil notes previously held by Norcan were cancelled. The amalgamation was treated as a "pooling of interests" for accounting purposes and, accordingly, the statement of profit and loss and retained earnings for the period ended February 19, 1963 reflects the results of operations of Gridoil for the period from January 1, 1962 to February 18, 1963 and of Norcan for the period from March 1, 1962 (date of commencement of operations) to February 18, 1963.

2. Prior to 1965 an amount of \$1,505,700 was recorded as the cost of the investment in shares of Canadian Williston Minerals Ltd., capital in excess of par value having been credited with \$1,505,700. As a result of a review made in May 1965 it has been established that computation previously made was based on an incorrect premise and that the cost to the predecessor (Scenic Oils Ltd.) was \$1,268,000. Accordingly a retroactive adjustment (approved by the directors of the Company) was made in 1965 to record the predecessor's cost of \$1,268,000 resulting in a reduction in capital in excess of par value of \$237,700.

3. On April 30, 1963 the shareholders approved the elimination of the deficit (\$2,032,626) as of February 18, 1963 by a charge to capital in excess of par value.

4. Changes in share capital and capital in excess of par value are summarized hereunder:

	No. of shares	Share capital	Capital in excess of par value
Balance, January 1, 1962	2,234,871	\$ 201,138	\$1,429,862
Less — Shares cancelled (Note 1)	1,309,435	117,848	719,950
	925,436	83,290	709,912
Add — Shares issued upon amalgamation (Note 1)	10,271,232	924,410	6,385,356
	11,196,668	1,007,700	7,095,268
Expenses of amalgamation	—	—	70,000
Balance, February 18, 1963	11,196,668	1,007,700	7,025,268
Elimination of deficit as at February 18, 1963 (Note 3)	—	—	2,032,626
Balance, December 31, 1963	11,196,668	1,007,700	4,992,642
Expenses of amalgamation	—	—	42,717
Balance, December 31, 1963	11,196,668	1,007,700	4,949,925
Adjustment re cost of investment shares of Canadian Williston Minerals Ltd. (Note 2)	—	—	237,700
Balance, June 30, 1965	11,196,668	\$1,007,700	\$4,712,225

5. Prior to 1964, dry holes, exploration expenses and carrying charges on undeveloped properties were written off as incurred and costs of undeveloped properties were written off when surrendered. Lease, drilling and other costs applicable to productive properties were capitalized and depleted on an over-all basis by the unit of production method based on estimated proven and probable additional oil and gas reserves and production equipment was depreciated by the straight-line method at the rate of 10% per annum.

GRIDOIL FREEHOLD LEASES LTD.

NOTES TO FINANCIAL STATEMENTS (Continued)

In 1964, the accounting for oil and gas properties was changed so that commencing January 1, 1964 all costs of exploring for and developing oil and gas reserves are capitalized. The investment in oil and gas properties, including costs of undeveloped properties and production equipment, is being depleted on an over-all basis by the unit of production method based on the estimated proven oil and gas reserves. This change had the effect of increasing the reported net profit for the year ended December 31, 1964 by approximately \$200,000.

6. The 5½% convertible notes are convertible until July 1, 1967 into capital stock of the Company on the basis of 48 shares per \$1,000 of principal.

The sinking fund requirements of the 5½% notes have been satisfied until 1968 in which year \$17,500 will be due and \$187,500 annually thereafter.

The note discount and issued expense is being amortized by the straight-line method over the term of the notes.

7. The Company has a lease on an office building which expires in 1973 (with an option to renew). Under the terms of the lease the company is required to pay all operating expenses and an annual rental of \$245,000. The major portion of the premises is currently subleased at annual rentals aggregating approximately \$314,000.

8. Under Canadian income tax law drilling and exploration expenditures, and lease acquisition costs since April 10, 1962, may be deducted from income in the year of expenditures, or, if such expenditures exceed the income for the year, the excess may be carried forward and applied against the income of subsequent years without limitation as to time. Subject to changes which may arise upon examination of the Company's tax returns by the income tax authorities, the balance of unclaimed expenditures of this nature approximated \$3,300,000 at June 30, 1965 and, accordingly, it is estimated that no income tax will be payable in respect of the year 1965.

9. Supplementary profit and loss information is shown in the financial statements except for property taxes and repairs and maintenance which are not material.

OPINION OF INDEPENDENT PUBLIC ACCOUNTANTS

To the Directors,
Canadian Williston Minerals Ltd.

We have examined the balance sheet of Canadian Williston Minerals Ltd. at June 30, 1965 and the statement of net deferred expenses from inception to June 30, 1965. Our examination was made in accordance with generally accepted auditing standards and accordingly included such tests of the accounting records and such other audit procedures as we considered necessary in the circumstances.

As explained in Note 1 of the financial statements, all expenses less income have been deferred; the company is deemed to have realized no profit or sustained no loss and therefore no profit and loss statement is submitted.

In our opinion, such statements present fairly the financial position of Canadian Williston Minerals Ltd. at June 30, 1965 and the net deferred expenses from inception to June 30, 1965, in conformity with generally accepted accounting principles applied on a consistent basis.

PRICE WATERHOUSE & Co.

Calgary, Alberta
September 30, 1965

CANADIAN WILLISTON MINERALS LTD.

BALANCE SHEET

June 30, 1965

ASSETS

CURRENT ASSETS:

Cash	\$ 51,198	
Short-term investments, at cost which approximates market	140,000	
Accounts receivable	54,207	
Deposits at land registry offices	2,072	\$ 247,477

CAPITAL ASSETS:

Mineral interest in approximately 1,365,000 acres of undeveloped freehold properties (Note 2)	1,933,000	
Oil and gas properties	21,814	
Production equipment	12,475	1,967,289

NET DEFERRED EXPENSES (Note 2)		231,644
		<u>\$2,446,410</u>

LIABILITIES

CURRENT LIABILITIES:

Accounts payable	\$ 3,837	
Due to parent, Gridoil Freehold Leases Ltd.	2,351	
Current portion of bank loan	58,333	\$ 64,521

LONG-TERM DEBT:

5¾% Bank loan secured by the assignment of specific royalty income payable in equal monthly installments of \$4,861, less current portion		213,889
---	--	---------

SHAREHOLDERS' EQUITY:

Share Capital —

Authorized — 6,000,000 shares of a par value of six cents each

Issued — 3,965,000 shares 237,900 | |

Capital in excess of par value (Note 2)	1,930,100	2,168,000
		<u>\$2,446,410</u>

NOTES TO FINANCIAL STATEMENTS

1. Only a small portion of the properties of the company has been developed and it is considered that the company is currently in the development stage. Accordingly all expenses, less income, have been deferred and no profit and loss statement is submitted.

2. During 1951 and 1952 the company acquired from Anglo American Oils Ltd. (now Scenic Oils Ltd.) an undivided 50% interest in all minerals (excluding coal) in approximately 1,436,000 acres in exchange for 3,861,000 shares of the company at which time a nominal value of \$1 was assigned to the mineral interests and share issued therefore. In 1955 an amount of \$3,050,000 was assigned to the mineral interests, capital in excess of par value having been credited with \$3,049,999.

As a result of a review made in May 1965 it has been established that the computation previously made was based on an incorrect premise and that the cost to the predecessor (Anglo American Oils Ltd.) was \$1,933,000. Accordingly a retroactive adjustment (approved by the directors of the company) was made in 1965 to record the predecessor's cost of \$1,933,000 resulting in a reduction of capital in excess of par value of \$1,117,000.

EXHIBIT "I"

THIS AGREEMENT made as of the 8th day of October, A.D. 1965.

BETWEEN:

GRIDOIL FREEHOLD LEASES LTD., a Company incorporated under the laws of the Province of Alberta, (hereinafter referred to as "Gridoil"),

OF THE FIRST PART,

and

CANADIAN WILLISTON MINERALS LTD., a Company incorporated under the laws of the Province of Alberta, (hereinafter referred to as "Williston"),

OF THE SECOND PART.

WHEREAS the parties hereto (hereinafter collectively referred to as the "Amalgamating Companies") have agreed to enter into these presents for the amalgamation of the Amalgamating Companies into one company pursuant to the provisions of Section 140a of The Companies Act of Alberta (R.S.A. 1955, Ch. 53 and amendments thereto) upon and subject to the terms and conditions herein contained; and

WHEREAS Williston is a subsidiary of Gridoil within the meaning and for the purpose of Section 140a of the said Companies Act; and

WHEREAS Gridoil is a company now organized and existing under the laws of the Province of Alberta and has an authorized capital consisting of \$1,800,000 divided into 20,000,000 shares having a par value of Nine cents each, of which 11,196,668 shares have been issued and are outstanding as fully paid and non-assessable; and

WHEREAS Williston is a company now organized and existing under the laws of the Province of Alberta and has an authorized capital consisting of \$360,000 dividend into 6,000,000 shares having a par value of Six cents each, of which 3,965,000 shares have been issued and are outstanding as fully paid and non-assessable; and

WHEREAS the officers and directors of Williston and Gridoil are identical.

NOW THEREFORE THIS AGREEMENT WITNESSETH:

1. In this Agreement the expression "Amalgamated Company" means the Company continuing from the amalgamation of Williston and Gridoil, the parties hereto.

2. Williston and Gridoil in and by these presents agree to amalgamate and do hereby amalgamate under the provisions of Section 140a of The Companies Act of the Province of Alberta to form and to continue as one company, limited by shares under the terms and conditions hereinafter set out.

3. This Agreement is conditional:

(a) Upon the approval and adoption of this Agreement by three-fourths of the votes cast at general meetings of the shareholders of each of the Amalgamating Companies called for the purpose of considering this Agreement; and

(b) Upon the approval in writing of the Amalgamation Agreement by the Registrar of Joint Stock Companies of Alberta after the same is deemed to have been adopted by the shareholders of each of the Amalgamating Companies within the meaning of Section 140a of The Companies Act of Alberta; and

(c) Upon the approval of the Amalgamation Agreement by the Supreme Court of Alberta after such notice to dissentient shareholders, if any, as the Court may direct; and

(d) Upon the issuance of a Certificate of Amalgamation by the Registrar of Joint Stock Companies of Alberta.

In the event that the above conditions are not fulfilled by February 28, 1966, this Agreement and all resolutions passed and things done to bring the same into effect shall be null and void, unless the time for fulfillment is extended by mutual agreement between the respective directors of the parties hereto.

4. The Financial Statements of Gridoil and Williston as at June 30, 1965, present fairly the financial position of Gridoil and Williston at such date and there has been no material adverse change since that date.

Neither Gridoil nor Williston is a Defendant or Respondent in any litigation or administrative proceeding nor, to their knowledge, is any litigation or administrative proceeding threatened against them which, if adversely determined against them, would cause any material adverse change in their properties or condition, financial or otherwise, when considered in relation with their business and assets taken as a whole.

5. Neither Gridoil nor Williston shall, without the written consent of the other thereto, before the effective date of amalgamation:

(a) Voluntarily effect any material adverse change in their respective financial positions or in the property or assets each own except such changes as shall occur in their normal course of business.

(b) Declare no dividends nor make any distribution of moneys or assets or enter into any transactions or incur any obligations other than in the ordinary course of business.

6. The name of the Amalgamated Company shall be Canadian Gridoil Ltd.

7. The Registered Office of the Amalgamated Company shall be in the City of Calgary, in the Province of Alberta.

8. The First Board of Directors of the Company shall be the same as those of Gridoil and Williston, which are identical, namely:

Samuel Clarence Nickle, Sr.
3015 Glencoe Road
Calgary, Alberta

Executive

Sam C. Nickle
1208 Belavista Crescent
Calgary, Alberta

Executive

Carl Olof Nickle
1132 Prospect Avenue
Calgary, Alberta

Publisher

Eric Connelly
1135 Beverley Boulevard
Calgary, Alberta

Executive

William L. James
1423 — 70th Avenue S. W.
Calgary, Alberta

Barrister

Arthur R. Morison
12 Medford Place
Calgary, Alberta

Chartered Accountant

9. The said first Directors shall hold office until the first annual meeting of the Amalgamated Company or until their successors are elected or appointed. The subsequent Directors shall be elected each year thereafter as provided for in the Articles of Association of the Amalgamated Company.

10. The liability of the members of the Amalgamated Company is limited.

11. The objects of the Amalgamated Company are as follows: To purchase, lease or otherwise acquire, hold and own petroleum, natural gas and related hydrocarbons, and to prospect, explore and drill for, produce and accumulate, pipe and convey, refine and render merchantable, sell, market and otherwise dispose of the same, and to open, drill, develop, work, improve, maintain and manage petroleum and natural gas wells and petroleum and natural gas properties generally.

12. The Articles of Association of the Amalgamated Company shall be in the form attached as Schedule "A" to this Agreement.

13. The authorized capital of Gridoil and Williston are converted into the authorized capital of the Amalgamated Company. The authorized capital of the Amalgamated Company will consist of \$2,250,000 divided into 5,000,000 shares having a par value of Forty-five cents each.

14. (a) The issued and outstanding capital of Gridoil and Williston at the effective date of amalgamation are converted into shares of the Amalgamated Company as follows:

(i) The shares of Gridoil are converted to shares of the Amalgamated Company on the basis of Five shares of Gridoil for One share of the Amalgamated Company; and

(ii) The shares of Williston (with the exception of 2,514,893 shares registered in the name of Gridoil which will be cancelled) are converted to shares of the Amalgamated Company on the basis of 6.25 shares of Williston for One share of the Amalgamated Company.

(b) Share Certificates of the Amalgamated Company will be issued on the aforesaid basis to the shareholders of Gridoil and Williston upon the surrender of the Certificates representing shares held by them in the respective Companies. Provided no fractional shares shall be issued to either Gridoil or Williston shareholders but in lieu thereof scrip will be issued.

(c) As a result, the issued and outstanding capital of the Amalgamated Company will consist of 2,471,350 shares, having a par value of Forty-five Cents each.

15. The amalgamation herein provided shall take effect and go into operation when this Agreement has been adopted and approved as required by law. Thereupon and thereafter the Amalgamated Company shall be seized of and shall hold and possess all the properties, rights, privileges, franchises and interests, and shall be subject to all the liabilities, contracts, debts and obligations of each of the Amalgamating Companies without any further deeds, transfers or conveyances as fully and effectually to all intents and purposes as the same are now held by the Amalgamating Companies respectively, and the Board of Directors of the Amalgamated Company shall have full power to carry the said amalgamation into effect and to perform such acts as are necessary or proper for such purpose. The provisions of this Clause 15 shall not be deemed to exclude any other effects, rights or privileges provided by law as incident to or resulting from any such amalgamation and not herein specifically mentioned.

16. The parties hereto may, by resolution of their respective directors, assent to any variation, alteration or modification of the provisions of this Agreement that may be required for the purpose of complying with the provisions contained in Section 140a of The Companies Act of Alberta or that may be required by the Registrar of Joint Stock Companies and/or the Supreme Court of Alberta, and references herein to this Agreement shall be construed to mean and shall refer to this Agreement as so varied, altered or modified.

IN WITNESS WHEREOF the parties hereto have executed these presents.

GRIDOIL FREEHOLD LEASES LTD.

SAM C. NICKLE
Vice President

W. L. JAMES
Secretary

CANADIAN WILLISTON MINERALS LTD.

SAM C. NICKLE
Vice President

W. L. JAMES
Secretary

SCHEDULE "A"

to

Agreement dated as of October 8, 1965

between

GRIDOIL FREEHOLD LEASES LTD.

and

CANADIAN WILLISTON MINERALS LTD.

This schedule which consists of the proposed Articles of Association of the Amalgamated Company is omitted. A copy may be obtained from the Secretary of the Company, 330 - 9th Avenue South West, Calgary, Alberta, Canada, upon request.

38 (Continued)	
(c) Has any application for listing of any shares of the Company ever been refused or deferred by any stock exchange? If so, give particulars.	(c) No.
39. Particulars of the principal business in which each officer and director has been engaged during the past five years, giving the length of time, position held and name of employing company or firm.	See Page 13 of Proxy Statement attached.
40. The dates of and parties to and the general nature of every material contract entered into by the Company which is still in effect and is not disclosed in the foregoing. Except for management contracts, do not include particulars of any contract entered into in the ordinary course of business carried on or intended to be carried on by the Company.	None
41. Any other material facts not disclosed in the foregoing.	None

42. STATEMENT SHOWING DISTRIBUTION OF ISSUED CAPITAL
as of February 18, 1966

FREE STOCK	Shares	Shares
(a) Distributed and in the hands of the public (exclusive of the promoters, officers and directors of the Company and their agents or trustees).	1,191,956	
(b) Distributed and in the hands of the promoters, officers and directors of the Company and their agents or trustees.	1,279,394	
Total free stock		2,471,350
ESCROWED OR POOLED STOCK		
(c) Held in escrow or pool as set out in Item 19 of this application.		None
Total issued capital		2,471,350

RECORD OF SHAREHOLDERS

Number of registered shareholders holding shares in class (a) above	4,988
Number of registered shareholders holding shares in class (b) above	6
Number of registered shareholders holding shares in class (c) above	None

43. STATEMENT SHOWING NUMBER OF SHAREHOLDERS
as of February 18, 1966

Number	Shares
3,875 Holders of 1 — 99 shares	125,528
786 " " 100 — 499 "	173,349
195 " " 500 — 999 "	124,811
61 " " 1000 — 1999 "	80,765
18 " " 2000 — 2999 "	43,224
18 " " 3000 — 3999 "	64,229
8 " " 4000 — 4999 "	35,164
33 " " 5000 — up "	1,824,280
4,994 Stockholders	Total Shares 2,471,350

FINANCIAL STATEMENTS

CANADIAN GRIDOIL LIMITED

(In which company Gridoil Freehold Leases Ltd. and Canadian Williston Minerals Ltd. are continued as one company by virtue of an amalgamation effective February 18, 1966)

BALANCE SHEET AT DECEMBER 31, 1965 (NOTE 1) (with comparative figures for 1964)

ASSETS

	1965	1964
CURRENT ASSETS:		
Cash	\$ 237,360	\$ 188,008
Short term investments, at cost which approximates market	1,800,000	1,600,000
Accounts receivable	415,877	636,761
Due from parent, Scenic Oils Ltd.	2,371	1,776
Inventories —		
Crude oil, at market	22,209	24,312
Oil well materials, at cost	21,293	11,964
Prepaid expenses	25,402	47,725
	<u>2,524,512</u>	<u>2,510,546</u>
INVESTMENT IN SHARES OF SCENIC OILS LTD., parent, at cost less dividends received	337,500	337,500
CAPITAL ASSETS, at cost:		
Mineral interests (Notes 3 and 5)	2,122,130	2,122,130
Oil and gas properties (Note 5)	10,110,589	8,473,672
Production equipment (Note 5)	2,552,327	1,891,008
Other equipment	111,801	95,772
	<u>14,896,847</u>	<u>12,582,582</u>
Less—Accumulated depletion and depreciation (Note 5)	4,838,044	3,906,370
	<u>10,058,803</u>	<u>8,676,212</u>
OTHER ASSETS:		
4% Mortgage receivable due 1973	675,000	675,000
Sundry shares and royalties	96,335	92,133
Refundable deposits	36,223	44,752
Unamortized note discount and issue expense	21,699	30,228
	<u>829,257</u>	<u>842,113</u>
	<u>\$13,750,072</u>	<u>\$12,366,371</u>

LIABILITIES

CURRENT LIABILITIES:		
Accounts payable	\$ 686,499	\$ 515,565
Current portion of bank loan	601,672	429,845
	<u>1,288,171</u>	<u>945,410</u>
LONG-TERM DEBT:		
5¾ % Bank loan, secured by the assignment of specific producing properties, payable in equal monthly instalments commencing January 1, 1966 of approximately \$50,000, less current portion	2,901,417	2,503,089
5½ % Convertible sinking fund redeemable notes, Series A, due July 1, 1976 (Note 6)	1,570,000	1,590,000
	<u>4,471,417</u>	<u>4,093,089</u>
SHAREHOLDERS' EQUITY:		
Share capital—(Notes 1 and 4)		
Authorized—		
5,000,000 shares of a par value of 45¢ each, of which 15,072 shares are reserved for conversion of notes		
Issued February 18, 1966—2,471,350 shares	1,112,107	1,112,107
Capital in excess of par value (Notes 3 and 4)	5,327,953	5,400,714
Retained earnings since February 18, 1963	1,550,424	815,051
	<u>7,990,484</u>	<u>7,327,872</u>
	<u>\$13,750,072</u>	<u>\$12,366,371</u>

CANADIAN GRIDOIL LIMITED

(In which company Gridoil Freehold Leases Ltd. and Canadian Williston Minerals Ltd. are continued as one company by virtue of an amalgamation effective February 18, 1966)

STATEMENT OF INCOME FOR THE YEAR ENDED DECEMBER 31, 1965 (NOTE 1) (with comparative figures for 1964)

	1965	1964 (NOTE 2)
INCOME:		
Crude oil sales, less royalties	\$2,315,511	\$1,935,197
Royalty income	269,142	261,330
Other income	272,539	193,843
	<u>2,857,192</u>	<u>2,390,370</u>
EXPENSES:		
Production expenses	461,428	273,747
Depletion and depreciation (Note 5)	1,012,471	885,749
Administrative and general expenses	392,053	408,996
Interest on long-term debt	247,338	193,768
Amortization of note discount and issue expense	8,529	8,529
	<u>2,121,819</u>	<u>1,770,789</u>
Net income for the year	<u>\$ 735,373</u>	<u>\$ 619,581</u>

STATEMENT OF RETAINED EARNINGS FOR THE YEAR ENDED DECEMBER 31, 1965

Balance, January 1, 1965 (Gridoil Freehold Leases Ltd.)	\$ 815,051
Net income for the year	<u>735,373</u>
Balance, December 31, 1965	<u>\$1,550,424</u>

AUDITORS' REPORT

To the Directors of
CANADIAN GRIDOIL LIMITED

We have examined the balance sheet of Canadian Gridoil Limited as at December 31, 1965 and the statements of income and retained earnings for the year ended on that date and have obtained all the information and explanations we have required. Our examination was made in conformity with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

As explained in Note 1 to the financial statements, Canadian Gridoil Limited is the Company in which Gridoil Freehold Leases Ltd. and Canadian Williston Minerals Ltd. are continued as one company by virtue of an amalgamation effective February 18, 1966.

In our opinion, and according to the best of our information and the explanations given to us and as shown by the books, the accompanying balance sheet and statements of income and retained earnings are properly drawn up so as to exhibit a true and correct view of the state of the affairs of Canadian Gridoil Limited as at December 31, 1965 and the results of operations for the year ended on that date, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

CALGARY, Alberta
February 18, 1966

PRICE WATERHOUSE & CO.
Chartered Accountants

CANADIAN GRIDOIL LIMITED

(In which company Gridoil Freehold Leases Ltd. and Canadian Williston Minerals Ltd. are continued as one company by virtue of an amalgamation effective February 18, 1966)

NOTES TO FINANCIAL STATEMENTS

- As a result of an amalgamation which became effective February 18, 1966, Gridoil Freehold Leases Ltd. (Gridoil) and Canadian Williston Minerals Ltd. (Williston) were continued as one company named Canadian Gridoil Limited and the shareholders of the predecessor companies (except Gridoil with respect to the Williston shares owned by it which were cancelled) became the owners of 2,471,350 shares of Canadian Gridoil Limited. The amalgamation was treated as a "pooling of interests" for accounting purposes (after elimination of Gridoil's investment in shares of Williston) and, accordingly, the financial statements reflect the combined financial position of Gridoil and Williston as at December 31, 1965 and the combined results of operations for the year then ended, after conforming Williston's accounting to that of Gridoil as of January 1, 1965.

The financial statements reflect the following adjustments:

- Elimination of Gridoil's cost (\$1,268,000) of investment in Williston shares, the excess (\$107,104) of the book value of Williston's net assets over the cost of investment being applied as a reduction of the book value of mineral interests.
 - Transfer of \$17,401 from capital in excess of par value to share capital to record the issue of 2,471,350 shares of Canadian Gridoil Limited at a par value of 45¢ per share.
 - Reclassification of net deferred expenses (\$296,234) of Williston as of December 31, 1964 to cost of mineral interests. Prior to 1965 Williston was considered to be in the development stage and all expenses less income were deferred.
- Williston's accounting was conformed to that of Gridoil for 1964 for the comparative figures shown on the statement of income for the year ended December 31, 1964 which had the effect of decreasing the net income for 1964 (for comparative purposes only) by \$88,835.
 - During 1951 and 1952 Williston acquired from Anglo American Oils Ltd. (now Scenic Oils Ltd.) an undivided 50% interest in all minerals (excluding coal) in approximately 1,436,000 acres in exchange for 3,861,000 shares of Williston, at which time a nominal value of \$1 was assigned to the mineral interests and shares issued therefor. In 1955 an amount of \$3,050,000 was assigned to the mineral interests, capital in excess of par value being credited with \$3,049,999. Prior to 1965 an amount of \$1,505,700 was recorded by Gridoil Freehold Leases Ltd. as the cost of the investment in shares in Williston, capital in excess of par value being credited with \$1,505,700. As a result of a review made in 1965 it was established that the computations of the amounts previously assigned did not conform with the legal aspects of the transactions and that the cost to the predecessor (Scenic Oils Ltd.) was \$1,933,000 in respect of the mineral interests and \$1,268,000 in respect of the cost of investment in shares of Williston. Accordingly, a retroactive adjustment (approved by the directors of the respective companies) was made in 1965 to record the predecessor's cost of the mineral interest and investment in shares of Williston, resulting in a reduction in capital in excess of par value of \$1,354,700.
 - The changes in share capital and capital in excess of par value are summarized hereunder:

	SHARE CAPITAL	CAPITAL IN EXCESS OF PAR VALUE
Balance, December 31, 1964		
Gridoil Freehold Leases Ltd.	\$1,007,700	\$4,949,925
Canadian Williston Minerals Ltd.	237,900	3,047,100
	<u>1,245,600</u>	<u>7,997,025</u>
Less—		
Adjustment re cost of mineral interests and cost of investment in Williston shares (Note 3)	—	1,354,700
Elimination of Gridoil's investment in shares of Williston (Note 1)	150,894	1,224,210
Transfer to record shares issued at a par value of 45¢ per share (Note 1)	(17,401)	17,401
	<u>133,493</u>	<u>2,596,311</u>
Adjusted balance, December 31, 1964	1,112,107	5,400,714
Expenses of amalgamation	—	72,761
Balance, December 31, 1965	<u>\$1,112,107</u>	<u>\$5,327,953</u>

- All costs of exploring for and developing oil and gas reserves are capitalized. The investment in mineral interests and oil and gas properties, including costs of undeveloped properties and production equipment, is being depleted on an over-all basis by the unit of production method based on estimated proven oil and gas reserves.
- The 5½% convertible notes are convertible until July 1, 1967 into capital stock of the company on the basis of 9.6 shares per \$1,000 of principal. The sinking fund requirements of the 5½% notes have been satisfied until 1969 in which year \$185,000 will be due and \$187,500 annually thereafter. The note discount and issue expense is being amortized by the straight-line method over the term of the notes.
- The company has a lease on an office building which expires in 1973 (with an option to renew). Under the terms of the lease the company is required to pay all operating expenses and an annual rental of \$245,000. The major portion of the premises is currently subleased at annual rentals aggregating approximately \$304,000.
- Under Canadian income tax law drilling and exploration expenditures, and lease acquisition costs since April 10, 1962, may be deducted from income in the year of expenditure, or, if such expenditures exceed the income for the year, the excess may be carried forward and applied against the income of subsequent years without limitation as to time. Subject to changes which may arise upon examination by the income tax authorities, the balance of unclaimed expenditures of this nature approximated \$3,200,000 at December 31, 1965; accordingly no income tax is payable in respect of the year 1965.